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FISCAL IMPACT STATEMENT

LS 7093

BILL NUMBER: SB 270

NOTE PREPARED: Apr 3, 2007

BILL AMENDED: Apr 2, 2007

SUBJECT: Motor Fuel.

FIRST AUTHOR: Sen. Heinold

FIRST SPONSOR: Rep. Grubb

BILL STATUS: As Passed House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill: 1) increases the amount of the additional Sales Tax allowance for Sales Tax collected on the sale of E85 from \$0.10 per gallon to \$0.25 per gallon and reduces the maximum amount of increased allowances that may be allowed from \$2,000,000 to \$1,000,000; 2) extends the period of time in which the additional E85 allowance may be claimed; 3) provides a monthly incentive payment to political subdivisions if 75% of the fuel used in the political subdivision's E85 compatible motor vehicles is E85; and 4) establishes an E85 fueling station grant program and appropriates \$1,000,000 to the Department of Agriculture for the grant program.

Effective Date: (Amended) July 1, 2007; January 1, 2008.

Explanation of State Expenditures: (Revised) 1) and 2) The provisions of this bill changing the amount, the cap, and the period to claim the Sales Tax deduction for sales of E85 will result in an increase in administrative expenditures for the Department of State Revenue (DOR). The DOR will need to amend Sales Tax forms, procedures, and software. It is anticipated these changes could be implemented through the use of existing staff and resources.

3) Providing a monthly incentive will increase the State Auditor's Office administrative expenses associated with implementing this provision.

4) Appropriating \$1,000,000 to the Department of Agriculture for the grant program for the period July 1, 2007, ending June 30, 2008, will increase expenditures from the state General Fund.

Background Information: The Department may award a grant under this program to a person that:
A) makes a qualified investment; and

B) places the qualified investment in service in Indiana for the dispensing of E85 base fuel.

A grant awarded is equal to the lesser of the following:

A) the amount of the person's investment

B) \$5, 000 for all qualified investments made by the person at a single location.

Explanation of State Revenues: (Revised) 1) and 2) This bill increases the amount of the Sales Tax deduction for E85 from \$0.10 to \$0.25, and decreases the total lifetime cap on the deduction for all taxpayers in all reporting periods from \$2 M to \$1 M. The bill extends the period for claiming the deduction from an expiration date of July 1, 2008 to July 1, 2020. As of March 23, 2007, the sum of all Sales Tax deductions claimed for E85 was approximately \$41,000 for all taxpayers in all reporting periods from when the deduction became effective July 1, 2006. It is estimated that the \$2 M most likely would not have been reached by the current expiration date of July 1, 2008, and therefore these changes will result in a decrease in Sales Tax collections due to the extension of the deduction.

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill provides a monthly incentive payment to political subdivisions of \$33.33 per motor vehicle if 75% of the fuel used in the political subdivision's E 85 motor vehicles is E85.

The Bureau of Motor Vehicles reports that there are 75,414 vehicle statewide registered as city police, sheriff, or municipally owned vehicles. It is unknown how many of these vehicles are E 85 compatible or how many political subdivisions may qualify for this incentive payment. For every one percent of qualified vehicles, (e.g., 750 E 85 vehicles), Local Road and Street Fund revenues in the amount of \$25,000 monthly would be shifted from those units who do not qualify to those units who meet the qualification with qualified E 85 vehicles and fuel usage.

Background Information: E85 is the term for motor fuel blends of up to 85% ethanol and 15% gasoline. E85 is an alternative fuel as defined by the U.S. Department of Energy, and the ethanol component is made from corn. The Local Road & Street Fund supports local units of government.

State Agencies Affected: State Auditor; Department of Agriculture.

Local Agencies Affected: Local units; Recipients of Local Road and Street distributions.

Information Sources: Bureau of Motor Vehicles.

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